

UNITED STATES PATENT AND TRADEMARK OFFICE
Trademark Trial and Appeal Board
P.O. Box 1451
Alexandria, VA 22313-1451

Greenbaum

Mailed: March 11, 2005

**THIS DISPOSITION IS
NOT CITABLE AS PRECEDENT
OF THE TTAB**

Cancellation No. 92040782

PHYSICIANS FORMULA
COSMETICS, INC.

v.

COSMED, INC.

Before Quinn, Walters and Drost, Administrative Trademark
Judges.

By the Board.

Petitioner seeks to cancel Registration No. 2055813 for
PHYSICIANS COMPLEX for various cosmetics.¹ As grounds for
cancellation, petitioner alleges that respondent's mark, as
used on respondent's goods, so resembles petitioner's
previously registered mark, PHYSICIAN'S FORMULA,² for
various cosmetics and skin products, among other things, as
to be likely to cause confusion.

In its answer, respondent denied the salient
allegations of the petition for cancellation.

¹ Registration No. 2055813 issued on April 27, 1997, claiming
December 13, 1994 as the dates of first use and first use in
commerce. Section 8 affidavit accepted.

² Registration No. 1187307 issued on January 26, 1982, claiming
March 13, 1937 as the dates of first use and first use in
commerce. Section 8, 9 and 15 affidavits accepted.

This case now comes up on petitioner's combined motions for leave to file an amended petition for cancellation, and for partial summary judgment on the newly pleaded grounds of fraud. The parties have fully briefed the issues, and we have considered petitioner's reply brief.³ See Trademark Rule 2.127(a).

We turn first to petitioner's motion for leave to amend the petition for cancellation to (i) plead as an additional ground for cancellation that respondent fraudulently obtained the involved registration, making the entire registration void *ab initio*, (ii) substitute Physicians Formula Cosmetics, Inc., a Delaware, corporation, for Physicians Formula Cosmetics, Inc., a California corporation, as the petitioner,⁴ and (iii) correct petitioner's description of its goods in the petition to reflect the goods identified in petitioner's registration.

Inasmuch as respondent does not object to the motion for leave to amend, petitioner has properly pleaded fraud with particularity, the proposed amendments do not violate settled law, and entry thereof will not prejudice

³ Respondent's motion (filed November 15, 2004) to extend the briefing schedule for the pending motions is approved.

⁴ Petitioner submitted the declaration of its Chief Financial Officer in support of the combined motion. With respect to the motion for leave to amend, the declaration includes sufficient documentary evidence to establish that the Delaware corporation is the owner of petitioner's relied-upon registration, and to correct the identification of goods identified in said registration.

respondent, the motion for leave to amend the petition to cancel is granted. The amended petition for cancellation is now the operative pleading in this proceeding.

We now turn to petitioner's motion for partial summary judgment on the newly pleaded ground of fraud. In support of the partial summary judgment motion, petitioner submitted, among other things, (i) excerpts from the discovery deposition of respondent's president, William Brewer, and (ii) a copy of the statement of use that respondent filed in support of the application underlying the involved registration.⁵

In its 1996 statement of use, respondent affirmed to the PTO that respondent had used the involved mark on all of the listed goods since December 1994. However, during the Brewer deposition, respondent's counsel stipulated that respondent had never used the involved mark in connection with several products identified in that registration. Moreover, the following exchange occurred during the Brewer deposition:

Q: How did, if you know, your brother sign a statement of use that asserted that there was use of the mark in

⁵ Petitioner submitted these items as attachments to the declaration of petitioner's counsel.

connection with certain goods for which it was not in fact in use?⁶

MR. SNEED: Objection to the form.

THE WITNESS: It was that we intended to use it.

BY MR. EWING:

Q: As of the time the statement of use was filed?

A: Yes.

Q: But in fact in connection with the goods that your counsel read, that did not happen?

A: That is correct.

Petitioner maintains that the above explanation for filing a false statement of use is legally insufficient.

In its response to the motion for summary judgment, respondent simply states that it "relies on the testimony provided by its company representative during his deposition." Respondent then states that "[f]or purposes of the present summary judgment motion, Registrant does not disagree that Petitioner, upon proper substitution as requested, has standing to assert a fraud claim."

A party is entitled to summary judgment when it has demonstrated that there are no genuine issues as to any material facts, and that it is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c). The evidence must be

⁶ The Board notes that Mr. Brewer's brother signed the statement of use in his official capacity as Treasurer of respondent.

viewed in a light favorable to the nonmoving party, and all justifiable inferences are to be drawn in the nonmovant's favor. *Opryland USA Inc. v. The Great American Music Show, Inc.*, 970 F.2d 847, 23 USPQ2d 1471 (Fed. Cir. 1992).

It is settled that fraud upon the Patent and Trademark Office constitutes the willful withholding of material information which, if disclosed to the Office, would have resulted in the disallowance of the registration, or, as is alleged in this case, the disallowance of incontestability under Section 15. See, e.g., *Crown Wallcovering Corp. v. Wall Paper Mfgs. Ltd.*, 188 USPQ 141 (TTAB 1975). An essential element of such a fraud claim is that the defendant's false statements were made willfully, in bad faith, and with the intent to obtain that to which the defendant otherwise would not have been entitled. See *Id.* False statements which were occasioned merely by a misunderstanding, an inadvertence, a mere negligent omission, or the like, are not fraudulent. See *American Speech-Language-Hearing Assn. v. National Hearing Aid Society*, 224 USPQ 798, 805 (TTAB 1984); *Rogers Corp. v. Fields Plastics & Chemicals, Inc.*, 176 USPQ 280, 283 (TTAB 1972). Moreover, an allegation of fraud must be proven "to the hilt" with clear and convincing evidence. Smith

International, Inc. v. Olin Corporation, 209 USPQ 1033, 1043-44 (TTAB 1981).

Upon careful consideration of the arguments and evidence presented by petitioner, and drawing all inferences with respect to the motion in favor of respondent as the nonmoving party, we find that petitioner has carried its burden. See *Medinol Ltd. v. Neuro Vasx Inc.*, 67 USPQ2d 1205 (TTAB 2003).

Specifically, the stipulation regarding respondent's non-use of certain goods identified in the registration, combined with the above-quoted testimony of respondent's president, establish that when respondent signed the statement of use, respondent knew, or should have known, that the averment regarding use of the mark on all of the goods identified therein was false. See *Torres v. Cantine Torresella S.r.l.*, 808 F.2d 46, 1 USPQ2d 1483 (Fed. Cir. 1986). Although, as noted above, not all incorrect statements rise to the level of fraud, in this case, we find that respondent's averments regarding use in its statement of use are material misrepresentations of fact that were knowingly made. Further, we agree with petitioner that the excuse respondent's president offered for filing a false statement of use, namely that respondent intended to use the mark on the goods set forth in the stipulation, is legally insufficient. See *Medinol*, supra. Consequently, we grant

Cancellation No. 92040782

petitioner's motion for partial summary judgment on the issue of fraud.

Petitioner is allowed until THIRTY DAYS from the mailing date of this order to inform the Board whether petitioner wishes to go forward on the remaining grounds in the petition to cancel, failing which the Board will cancel the involved registration, and enter judgment against respondent solely on the grounds of fraud.

Proceedings remain otherwise suspended.